

ASSEMBLY BILL

No. 162

Introduced by Assembly Member Smyth

January 19, 2011

An act to amend Section 12410.5 of the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 162, as introduced, Smyth. Local government: financial reports.

Existing federal law, the Single Audit Act of 1984, requires any nonfederal entity, defined as states, local governments, or nonprofit organizations, that accepts \$300,000 or more in federal money to prepare an annual audit that meets certain specifications and transmit that audit to specified federal agencies. Existing law requires the Controller to receive every audit report prepared by any local public agency pursuant to the federal Single Audit Act of 1984, and that the Controller review those reports for compliance with federal law before forwarding them to the designated state agency.

This bill would additionally require that, if an audit of a local agency reveals certain financial irregularities, the findings be sent separately to the Controller immediately after the audit has been concluded. By increasing the duties of local officials, this bill would impose a state-mandated local program.

This bill would require the Controller to prepare and transmit a report on those findings, and the Controller's recommendations, to the Assembly Committee on Local Government and the Senate Committee on Local Government.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 12410.5 of the Government Code is
2 amended to read:

3 12410.5. (a) The Controller shall receive every audit report
4 prepared for any local public agency in compliance with the federal
5 Single Audit Act of 1984 (P.L. 98-502; 31 U.S.C. Sec. 7501 et
6 seq.) and required under any law to be submitted to any state
7 agency, and shall, after ascertaining its compliance with that federal
8 act, transmit the report to the designated state agency.

9 (b) *If findings are made in a local agency's annual financial*
10 *audit, prepared pursuant to subdivision (a), that there have been*
11 *possible deficiencies in internal control, fraud, illegal acts,*
12 *violations of provisions of contracts or grant agreements, or*
13 *abuses, the findings shall be sent separately to the Controller*
14 *immediately after the audit has been concluded.*

15 (c) *Upon receiving findings prepared pursuant to subdivision*
16 *(b), the Controller shall prepare and transmit a report on the*
17 *matter, including the recommendations of the Controller, to the*
18 *Assembly Committee on Local Government and the Senate*
19 *Committee on Local Government.*

20 SEC. 2. If the Commission on State Mandates determines that
21 this act contains costs mandated by the state, reimbursement to
22 local agencies and school districts for those costs shall be made
23 pursuant to Part 7 (commencing with Section 17500) of Division
24 4 of Title 2 of the Government Code.

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